



CONCEPT NOTE

Regional Meeting

**Productive Capacities, Export Diversification and Structural Economic Transformation in
African Landlocked Developing Countries:
Challenges, Opportunities and the Way Forward**

**Gaborone, Botswana
20-21 November 2018**





Regional Meeting on Productive Capacities, Export Diversification and Structural Economic Transformation in African Landlocked Developing Countries: Challenges, Opportunities and the Way Forward

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1. Background

The 32 landlocked developing countries (LLDCs) - 16 in Africa, 14 in Europe and Asia and 2 in Latin America- face multiple trade and development challenges. While some of these challenges are geographical (being landlocked with no access to the sea and remoteness from international markets), most of them are also dependent on a single or a few primary commodities for their exports. 27 out of the 32 LLDCs are dependent on primary commodities at least for 50 per cent of their exports. On country-by-country analysis, the top three export items in 19 LLDCs are primary commodities. In eight other LLDCs, two of the three leading export items are commodities, whereas in a further two LLDCs one of the top export items is a primary commodity (UNCTAD/ALDC/2015/2). Such a heavy dependence on exports of primary commodities is the among the reasons responsible for the jobless growth observed in LLDCs during the last couple of decades. UNCTAD's recent study, *Export Diversification and Employment* (UNCTAD/ALDC/2018/3) further argues that, in the case of Africa, there is a direct link between the “poor state of export diversification and the dismal nature of employment creation”. In sum, the dual problem of commodity dependency and being landlocked compounds to impact the socioeconomic progress of LLDCs.

With the objective of addressing these multiple development challenges, governments of LLDCs, including those in Africa, have undertaken wide-ranging economic and institutional reforms. They put in place micro and macroeconomic policies and strategies to address structural economic weaknesses, underdevelopment and overdependence on the export of single or a handful of commodities. In addition to national policy and institutional reform efforts, the international community also adopted the Vienna Programme of Action (VPoA) in 2014 to support the development efforts of LLDCs. The objective of the VPoA is to address the special development needs and challenges of LLDCs and help them to achieve sustainable and inclusive growth towards the goal of ending extreme poverty. The VPoA was conceived as a framework for enhancing development partnership in support of LLDCs with the aim of enhancing their socioeconomic transformation. After 5 years of implementation of the agreed priority areas of the VPoA, towards the end of 2019, the General Assembly will conduct a Comprehensive Mid-term





Review of the progress made in implementation (A/RES/72/232). The review will be preceded by national, regional and sectoral reviews of implementation. The outcome of these reviews, including this African regional meeting will feed into the final comprehensive review of progress in the implementation of the VPoA by the General Assembly in 2019.

Unfortunately, the results of domestic policy efforts and international support mechanisms have been too little to lead to meaningful or robust socioeconomic outcomes in LLDCs. While the quality of domestic policies and strategies in LLDCs has significantly improved over the years, they still face daunting challenges in effectively implementing such policies and strategies. With regard to the VPoA, UNCTAD's preliminary assessment of progress in the implementation of key areas shows that the programme has not achieved the desired results. While several countries have continued to make progress on individual action areas, such as infrastructure building and regional cooperation, the group of LLDCs as a whole has faced significant challenges: economic growth remains sluggish, their share in world exports has declined, the gap between their exports and imports continued to increase and commoditization of their exports continued. In sum, LLDCs' economies continue to be characterized by weak productive capacities and a lack of structural transformation; high transit-transport cost and poor export competitiveness; inadequate transit infrastructure; cumbersome customs and border crossing procedures; insufficient application of information and communication technologies (ICT); and inefficient trade logistics systems.

The key to reversing socioeconomic decline in LLDCs and unlocking their trade and development potential is to build productive capacities and foster structural economic transformation. Conceptually, UNCTAD defines productive capacities as consisting of three broad elements: productive resources, entrepreneurial capabilities and production linkages, which together determine a country's capacity to produce goods and services and enable it to grow and develop. Fostering entrepreneurship, industrialization and technological upgrading is critical for building productive capacities and accelerating structural transformation. The experiences of current developed countries, developing countries and emerging economies indicate that governments have an important role to play in inducing productive capacities and structural economic transformation. Therefore, it is crucial for LLDC governments to take a more proactive and catalytic approach to stimulate productive activities, including through the creation of enabling environments for business and investment. This implies that there must be deliberate policies by national governments of LLDCs to promote entrepreneurship, technological adaptation and innovation, as well as efforts to foster industrialization through carefully designed industrial policy. This can be done on the basis of principles that support and





at the same time challenge firms. Policies must also contribute to building effective and mutually supportive public-private partnerships through constructive government-private sector relationships.

With a view to assisting LLDCs to formulate and implement evidence-based policies and strategies by placing productive capacities at the center, UNCTAD has been implementing a project in selected LLDCs: Botswana, Rwanda and Lao PDR. The objective of the project is to strengthen the capacity of these countries to formulate and implement policies and strategies where productive capacities are effectively mainstreamed. The project also led to the development of a Productive Capacities Index (PCI) to measure and benchmark such capacities and to use them to support evidence-based policy making. The PCI, consisting of several categories ranging from infrastructure and energy to institutions, and information and communication technologies (ICTs) has been shared through national workshops in the three pilot countries: Botswana (February 2017), Rwanda (July 2018) and Lao PDR (August 2018).

2. Objective

The African regional workshop will provide an opportunity to review trade and development challenges facing African LLDCs, including the implementation of the VPoA. It will help to identify and articulate key priority issues for LLDCs in the region for action at national, regional and global levels, including in the context of the Mid-term Review of the VPoA. The regional workshop is a follow-up to the previous national workshops held in the three pilot countries on fostering productive capacities and structural economic transformation. Building on the outcomes of the previous national workshops and against the backdrop of the above description, the specific objectives of the African regional meeting are to:

- a) Share successful experiences and best practices on fostering productive capacities and structural transformation;
- b) Identify areas where African LLDCs have been making progress and areas where they are lagging with a view to articulating recommendations for policy action;
- c) Exchange views on the findings and policy implications of UNCTAD's Productive Capacities Index for LLDCs;
- d) Discuss the link between productive capacities, export diversification and employment generation in African LLDCs;
- e) Discuss the UNCTAD manual on how best to develop productive capacities and foster structural transformation.





The expected outcome of the workshop is to assist LLDCs in revisiting their domestic policies and strategies with a view to putting productive capacities at the center. It will also feed into the Mid-term Review of the VPoA, especially on Priority 5: Structural Economic Transformation.

3. Key questions to be addressed during the workshop

- What are the key challenges for African LLDCs in fostering productive capacities and structural economic transformation?
- How can African LLDCs achieve export diversification for inclusive growth and sustainable development?
- Where should policies and strategies as well as international partnership focus in addressing domestic gaps and limitation in LLDCs?
- What policy lessons could be drawn from successful experiences and best practices of the Asian developing countries regarding export diversification and structural economic diversification as key for jobs creation and poverty reduction?

4. Participants

The regional meeting will focus on select policy specialists, experts, academics and practitioners, as well as statisticians from African LLDCs. It will also include participants and speakers from several United Nations entities.

